



Memorandum # 29/2004

Commonwealth of Massachusetts | Public Employee Retirement Administration Commission
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Joseph E. Connarton, *Executive Director*

MEMORANDUM

TO: All Retirement Boards

FROM: Joseph E. Connarton, Executive Director

RE: Interest on Buy-back repayments

DATE: July 21, 2004

PERAC Memo #10/2004 indicated that members wishing to do a buy-back to the system for prior membership service for which the member took a refund would have to pay back interest on the total amount in the Annuity Savings Fund on the date the refund was issued as opposed to the actual amount withdrawn.

We have reviewed our records and found documents from a past PERA workshop indicating that buy-back repayment amounts would include only the amount withdrawn plus interest from the date of withdrawal through the date of repayment. Interest not paid to the member at the time of refund, due to the limited interest rule or the 2-year inactive rule, is not to be included in the repayment made by the member. As a result, the decision by the Commission to use the total Annuity Savings Fund Balance as the basis of the buy-back is reversed and the buy-back should be calculated only on the amount actually received by the member.

Boards that have done buy-back calculations for members using the total amount in the Annuity Savings Fund on the date of the refund instead of the amount actually received by the member should recalculate the buy-back repayment amount and refund to the member any additional amount paid to the Board.

We apologize for any inconvenience that this may have caused. If you have any questions, do not hesitate to contact this office.